Dear Senator Dixon:

This is in response to your transmittal of the enclosed letter from Mr. Frederick J. Haines.

Mr. Haines inquired why the price of U.S. butter sold to New Zealand is so much lower than the price he must pay in the store. The United States Department of Agriculture supports the price of dairy products in the United States at levels significantly above the world market price. To maintain high prices, the Commodity Credit Corporation (CCC), part of the Department of Agriculture, purchases large amounts of non-fat dry milk, cheese and butter. The volume of these purchases has incrased rapidly over the last two years, leading to a large increase in the size and expense of the CCC stocks. These stocks cannot be sold on the domestic market without undermining the price of dairy products, a price which U.S. law requires USDA to support. The price paid by New Zealand for the CCC's surplus butter is a wholesale price as opposed to the retail price paid by Mr. Haines. The price also reflects the fact that New Zealand will be paying for the transportation of the butter from the warehouses where it is stored and for its conversion into butter oil. Conversion is necessary because the butter in question is old and salted and thus not suitable for international trade as table butter.

The Department of Agriculture can provide additional information on the rationale for and the operation of the dairy price support program.

Sincerely,

Richard Fairbanks
Assistant Secretary for
Congressional Relations

Enclosure:

Correspondence returned

The Honorable
Alan J. Dixon,
United States Senate.

Drafted: EB/ORF/OFP/FPD:GDMiller:ml
8/28/81 ext. 20646
Clearance: EB/ORF/OFP/FPD:BRFurness
EB/ORF/OFP:DFHart
EB:WBrew
H:JJohnson
PA

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